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# BRAZIL BUSINESS BRIEF

APRIL 2020

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NEWS FROM THE BRAZILIAN CHAMBER  
OF COMMERCE IN GREAT BRITAIN



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## MESSAGE FROM THE CHAIR

This *Brazil Business Brief* contains two interviews: the first one, with Roberto Escoto, head of the investment department in the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), covering subjects including the opportunities for British investors in Brazil and Apex-Brasil's support role in the negotiation of bilateral and multi-lateral trade agreements; and a second one, with Carlos Tadeu, CEO of Prumo Logística, the group developing the Porto do Açu industrial port complex in Rio de Janeiro state, which covers subjects including the role of the port industry in Brazil's economy and the prospects for Brazil's oil and gas sector.

We are also publishing three articles here: the first one, by Ilana Sender and Eliza Massi from the Embassy of Brazil in London, assessing the implications of Brexit for the UK economy and for the UK-Brazil commercial relationship; a second one by Alexandre Manoel Angelo da Silva, from the Brazil's Institute for Applied Economic Research,

analysing Brazil's slow economic growth in recent years and offering suggestions for greater dynamism in the coming years; and a third one by Maria Angélica Oliveira Luqueze, head of UK Export Finance in Brazil, which anticipates the direction of Brazilian growth and highlights the role that UK investment can play in it.

In this disconcerting period of 'social distancing', we have of course been obliged to cancel the Chamber's events that were due to take place in the near future.

When the present Covid-19 crisis ends, we will be back to our normal activities and even keener to see you all at our events, so that we can celebrate life and the return to good business together.

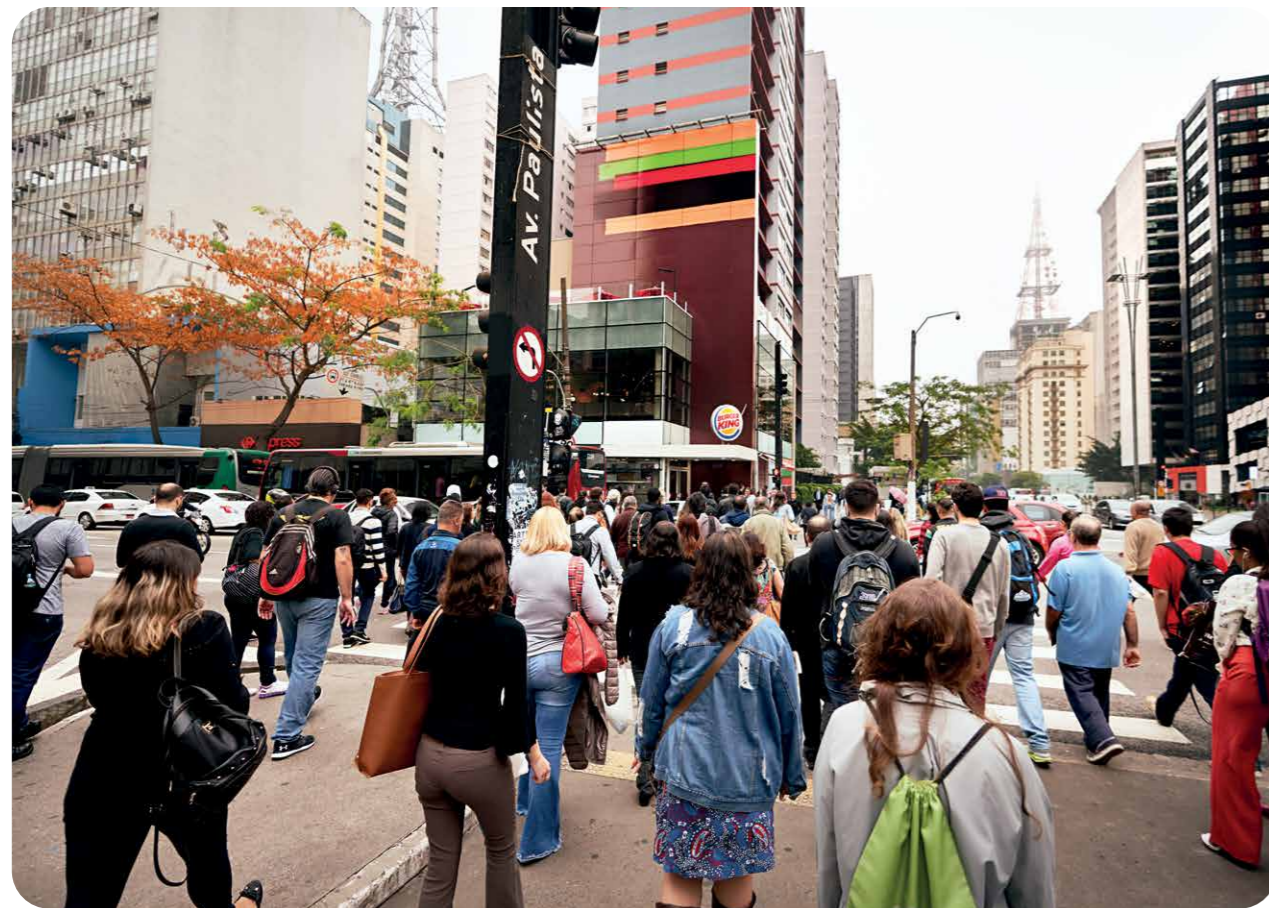
With best wishes from us all at

**The Brazilian Chamber of  
Commerce in Great Britain**

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## WHY HAS BRAZIL'S ECONOMIC GROWTH BEEN SLUGGISH?

BY ALEXANDRE MANOEL ANGELO DA SILVA



It is common to hear complaints that the growth of the Brazilian economy has not been vigorous. The purpose of this article is to explain why that growth has been lacking in strength, and to outline what will be necessary in order to achieve higher growth rates in future.

First of all, though, it should be made clear that a country's economic growth results from the growth of its population (or, more specifically, its workforce) and increased productivity, in a context of properly organised public accounts.

Brazil's population grew at an average rate of 1.57% per year be-

tween 1992 and 2000, then the rate dropped to 1.11% between 2001 and 2010, and 0.84% between 2011 and 2019. The so-called 'demographic dividend' has come to an end, therefore, and now our economy will depend increasingly on improved productivity in order to expand.

It should be noted, therefore, that productivity grew at an average rate of 1.3% per year between 1992 and 2000, and 1.8% between 2001 and 2010, then decreased by 0.5% per year between 2011 and 2015 before increasing again by an average of 0.7% between 2016 and 2019. The acceleration in growth from the 1990s through to the 2000s was due largely due to structural reforms and fiscal reorganisation implemented in the 1990s.

The relatively high rate of growth in the 2000s was a result of the previous demographic dividend and also those structural reforms and fiscal-reorganisation measures in the previous decade – along with, of course, the significant rise in the price of Brazil's commodities between 2002 and 2008.

However, from 2007 to 2014, Brazil's productive structure suffered a period of disorganisation, particularly in the oil and electricity sectors. During that period there was also a

**IN ORDER FOR BRAZILIAN ECONOMIC GROWTH TO REBOUND VIGOROUSLY, IT IS NECESSARY TO CONTINUE REORGANISING THE PUBLIC FINANCES AND TO INSIST EVEN MORE FIRMLY ON AN AGENDA THAT WILL BOOST PRODUCTIVITY**

change in the modus operandi for contracting public works, as a result of *Operação Lava Jato*, which negatively impacted the civil-construction sector; and there was also a situation of tremendous fiscal disorganisation, leading to productivity decreasing by an average rate of 0.2% per year between 2011 and 2019. This, along with the end of the demographic dividend, produced the meagre economic growth that we have seen in recent years.

In order for Brazilian economic growth to rebound vigorously, it is necessary to continue reorganising the public finances and to insist even more firmly on an agenda that will boost productivity. There is no alternative. Empirical evidence and our own history show that there are no magical solutions; seemingly attractive solutions that yield faster growth in the short term only lead to a slow-down in the medium and long term.

The Temer government began the work of reorganising the public accounts in 2016, beginning with a public-spending ceiling that achieved a fiscal adjustment without increasing the tax burden – an unprecedented achievement in Brazil. The Temer government also implemented several policies to leverage productivity growth, such as labour-market reform and measures that made it possible to resume the auctions in the electricity and oil sectors.

President Bolsonaro, for his part, has continued with the policies that are needed for the fiscal overhaul of the federal government and for increased productivity. There are five significant contributions in particular that the Bolsonaro government has made so far. The most important was

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the approval of pension reform; the other four were the maintenance of the public-spending ceiling, the new law regarding regulatory agencies, the law on economic freedom, and the implementation of the new gas market.

The approval of pension reform by Congress was a vital step in maintaining the ceiling on public spending and regaining investor confidence. However, it is necessary to keep up these efforts and pass other fiscal measures in order to ensure the public debt is sustainable and to lower the real interest rate. Because of the ceiling, the transfer of interest from the public sector to private-sector rentiers decreased by more than three GDP percentage points, from 8.3% of GDP paid in 2015, before the introduction of the ceiling, to 5.06% of GDP in 2019. This is equivalent to savings of more than R\$200 billion.

The new law for regulatory agencies has produced gains in terms of autonomy, transparency and governance, improving the regulatory environment and the making of investments. And the law on economic freedom, for its part, has contributed to the cutting of red tape and over-

regulation, thereby fostering entrepreneurship and boosting productivity.

The new gas market will drive the continuation of Petrobras's asset-divestment programme by divesting from its gas pipelines and its gas-distribution companies; and it will also bring competition to the Brazilian gas market, making prices more competitive and bringing them into line with the low prices we are currently seeing in the international market.

However, it should be reiterated that if Brazil is to return to a vigorous and sustainable rate of growth – around 2.5% per year, say – the reform agenda must continue to advance, which means approving tax reform, accelerating the liberalisation of the gas sector, and widening the scope of privatisations.

It is also important for the federal government to continue to make efforts, alongside Congress, to respect the public-spending ceiling, in such a way that the Central Bank will be able to manage expectations regarding inflation and continue to conduct monetary policy with the great competence it has demonstrated in the last few years. ●

## POST-BREXIT BRITAIN AND BRAZIL-UK TRADE RELATIONS

ILANA SENDER AND ELIZA MASSI

**O**n 31 January the United Kingdom officially left the European Union after two deadline extensions and 1,317 days of debates, social and political division, and heightened uncertainty. The country is now in a transitional period until 31 December. During this transition the UK's trade rules will remain the same, but from 1 January 2021, unless there is an extension, a new set of trade rules will be in place, including a new tariff regime known as the 'UK Global Tariff'.

Trade plays a crucial role in the British economy and was, of course, historically important in the country's development and the rise of the British Empire. In 2019, UK total trade (exports and imports of goods and services) was approximately US\$1.7 trillion, representing almost two-thirds of the country's GDP. Currently, 49% of British trade is directly with EU members and a further 11% with countries that have trade agreements with the EU. At the moment, Britain is not only negotiating with the EU but also with 'third countries' that have arrangements with the bloc, seeking to reproduce the effects of these agreements after the transi-



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tion period. Nearly 20 agreements have been already signed and several others are under negotiation. The UK has also intensified its commitment to improving trade relations with countries outside the sphere of the EU. It is prioritising negotiations with other important trading partners such as Australia, New Zealand and the United States, as well as improving relations with emerging countries.

The impact of Brexit has been widely and extensively discussed over the last few years. Academics, governments, trade associations and the private sector have been particularly

active, developing different scenarios and narratives to try to understand its effects on a national and international level and on specific sectors. Although important changes in the dynamics of trade are expected to occur, it is impossible to precisely quantify the impact of Brexit until the future relationship with the EU (under an agreement or on WTO terms) and also the UK's post-Brexit trading rules are defined.

This context has been especially challenging for businesses in their planning and investment decisions. A report from the Bank of England (2019) stated that Brexit has been a

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source of uncertainty for British businesses, including those that are not dependent on exports to the EU, resulting in delays in investment decisions. This uncertainty is also present in other countries. In Brazil, for example, a survey on Brexit conducted by the Embassy of Brazil in London and the Brazilian Trade and Investment Promotion Agency (APEX-Brasil) among companies that export to the UK found that they are also waiting for clarifications.

Despite this uncertainty, Brexit has the potential to create opportunities. It is allowing the UK to rethink its relationship with the EU and with the rest of the world. The UK government has declared its intention to build a 'Global Britain', supporting the free market and strengthening its global presence. According to a memorandum from the Foreign and Commonwealth Office (2018), Britain has been increasing engagement with Latin America since 2010 and the region is expected to become more important for UK interests in the post-Brexit period. In this context, Brazil is one of the countries that had been paying close attention to the Brexit negotiations in order to minimise risks and maximise opportunities to increase bilateral trade and investment in specific areas.

## BRAITAIN HAS BEEN INCREASING ENGAGEMENT WITH LATIN AMERICA SINCE 2010 AND THE REGION IS EXPECTED TO BECOME MORE IMPORTANT FOR UK INTERESTS IN THE POST-BREXIT PERIOD

### BRAZIL-UK TRADE RELATIONS

Brazil and the UK have long enjoyed a strong trading relationship. In 2019, total bilateral trade in goods was US\$ 5.29 billion. Brazil's top exports to the UK include agricultural products, gold, silicon and cellulose, while the principal British exports to Brazil consisted mainly of pharmaceuticals, chemicals, whisky and vehicles (Comex Stat 2019; ONS 2019). In fact, Brazil is the UK's most important trading partner in Latin America. According to the Department for International Trade, nearly half of the UK's goods exports to Latin America go to Brazil. Nevertheless, despite the longstanding economic relationship and the sizes of the UK and Brazilian economies – respectively sixth and ninth largest in the world – there is room for improve-

ment. For instance, in 2018, the UK ranked only 17th as a destination of Brazilian exports and 20th as a source of imports. Brazil in turn ranked 28th as a destination for British exports and 41st as a source of imports (Comex Stat 2019; ONS 2019).

There is scope for Brazil and the post-Brexit UK to take advantage of the complementary characteristics of their economies in order to further strengthen and diversify their trade relations. There are a number of strategic sectors, such as agriculture and energy, in which increased trade, investment and knowledge exchange could be mutually beneficial.

Agriculture seems the natural fit for improved trade relations between Brazil and the UK. The UK is one of the world's largest import markets, with about half of the food it consumes coming from abroad (60% of which comes from the EU). Brazil, on the other hand, has one of the world's most technologically advanced agricultural sectors and is one of the largest agricultural producers and exporters. Brazil already supplies a significant proportion of certain agricultural products to the UK market – for example tropical fruit, and beef and other meat products – and has

the potential to go further in meeting UK market needs. Brazil, in turn, could prove to be a market for British food and beverage exports, such as cider and other alcoholic drinks.

Energy is another area in which Brazil and the UK could further benefit in terms of investment and knowledge exchanges. The oil and gas industry, for instance, is of key importance for Brazil-UK relations, and indeed already represents a successful partnership. Brazil is the world's ninth-largest producer of oil and other liquid fuels, and the largest in Latin America (EIA 2017). The UK is already the largest foreign investor in the Brazilian petroleum sector with committed investments of approximately US\$11.1 billion. Natural gas is another area where both countries could benefit. According to projections by the Brazilian Energy Research Company (EPE 2020), natural-gas production has the potential to reach 199 million cubic metres per day by 2029, an increase of 74% in relation to the current 115 million cubic meters per day. Given the growing strategic importance of natural gas as a 'bridge' for the transition from oil to alternative and renewable sources of energy, it offers an array of opportunities for partnerships be-

## ENERGY IS ANOTHER AREA IN WHICH BRAZIL AND THE UK COULD FURTHER BENEFIT IN TERMS OF INVESTMENT AND KNOWLEDGE EXCHANGES. THE OIL AND GAS INDUSTRY, FOR INSTANCE, IS OF KEY IMPORTANCE FOR BRAZIL-UK RELATIONS

tween British and Brazilian companies across the value chain, particularly in gas infrastructure.

In renewables and biofuels, both countries have much to gain. According to the International Energy Agency (IEA 2019), "Brazil's energy policies measure up well against the world's most urgent challenges. Renewables meet almost 45% (against a world average of just 14%) of primary energy demand, making Brazil's energy sector one of the least carbon-intensive in the world." Renewable sources of energy and biofuels are an important area for strengthening future cooperation and investment. The UK dominates capability in offshore wind, while the global strength of Brazil's agribusiness and

know-how in biofuels and bio-renewables offers a unique opportunity for increasing cooperation and knowledge exchange in the context of the transition to a low-carbon economy.

Regardless of the sector, it is important that Brazilian exporters keep up to date with the UK's rules for imported goods and services – such as new regulations, required certificates, and tariff schedules – in order to avoid disruptions to trade. It is also crucial to monitor the UK's trade negotiations, not only with the EU but also with other countries and blocs. A good source of information on Brexit and post-Brexit Britain is the platform "Brazil Brexit Watch" ([www.investexportbrasil.gov.br/brexit-brazil-brexit-watch](http://www.investexportbrasil.gov.br/brexit-brazil-brexit-watch)), part of a joint project by the Embassy of Brazil in London and APEX-Brasil to monitor and highlight the most important changes in areas of interest to Brazilian exporters. The project also includes initiatives such as the above-mentioned survey of exporters and a webinar series that discusses not only what is happening during the transition period but also the main issues around key sectors. ●

The views expressed in this paper are those of the authors and do not reflect the official policy or position of the Brazilian government or any of its agencies.

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## UK EXPORT FINANCE: SUPPORTING BRAZILIAN GROWTH THROUGH BRITISH INNOVATION AND TECHNOLOGY

BY MARIA ANGELICA OLIVEIRA LUQUEZE



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**B**razil's economy – the largest in South America, accounting for almost 50% of the continent's GDP – suffered a difficult recession in 2015, but is now back on track. According to current market estimates, Brazil's GDP will decrease by 0.48 % in 2020 and will increase by 2.5% in 2021.

To sustain this, Brazil is strengthening trade ties across the globe. Just last year it launched a new trade-facilitation programme with the UK to improve access to British markets. In

turn, the UK government has re-doubled efforts to promote British business overseas and strengthen trading ties with South America.

Total trade in goods and services (i.e. exports plus imports) between the UK and Brazil was £6.5bn in the four quarters to the end of Q3 2019, an increase of 11.2% or £656m from the four quarters to the end of Q3 2018.

Closer links between the British supply chain and Brazilian development projects can propel the country to new heights. And UK Export Finance (UKEF) is helping to achieve just that.

### HOW TO TAKE BRAZIL TO THE NEXT LEVEL

Brazil's new government has addressed the country's fiscal imbalance by approving social-security reform in Congress last year. In response, S&P Global Ratings revised Brazil's position from stable to positive. Furthermore, Brazil's credit default swap (CDS) is on course for its lowest rating in almost seven years.

Although there are many other important initiatives, the most important factor in taking Brazil to the next level will be its willingness to integrate

global supply chains. Looking ahead, Brazil has a lot more to do, especially in finding ways to open its economy. Currently, the main driver of trade is the agriculture sector. In 2019, soy represented 12% of total exports, which places Brazil as the second-largest producer of soybeans in the world, behind the US.

When it comes to commodities, Brazil is a major player. Its investment in agriculture and a number of other key commodities makes it a serious competitor in world trade, particularly as the country has transformed itself from a food importer into one of the world's largest agricultural exporters.

### FACILITATING INVENTION AND INNOVATION

However, from a macroeconomic-policy perspective, it is the industrial sector that plays a pivotal role in economic uplift. Industrial development encourages advances in science and technology, which could provide a knock-on effect to other sectors of the economy. Industrialisation is conducive to the development of ideas, facilitating invention and innovation.

An industrialised nation is always economically stronger and more capable of defending itself against market

**WHEN IT COMES TO COMMODITIES, BRAZIL IS A MAJOR PLAYER. ITS INVESTMENT IN AGRICULTURE AND A NUMBER OF OTHER KEY COMMODITIES MAKES IT A SERIOUS COMPETITOR IN WORLD TRADE, PARTICULARLY AS THE COUNTRY HAS TRANSFORMED ITSELF INTO ONE OF THE WORLD'S LARGEST AGRICULTURAL EXPORTERS**

adverse effects. To improve living standards for its people, the Brazilian government is pursuing policies that support the privatisation and deregulation of the economy. These policies are boosting the industrial sector and attracting international players.

In this regard, the country faces two main gaps that should be addressed. Firstly, developing the industrial sector and boosting exports of manufactured goods. To do this, Brazil needs to strengthen its industrial

base by making it easier for companies to import goods and services that will strengthen the country's position in transnational production chains. Secondly, Brazil needs financing to purchase innovative solutions that will boost productivity across multiple sectors.

### BRAZIL PRIMED FOR UK INVESTMENT

The UK, as the world's fifth-largest economy, may be one of the key partners that can help Brazil address both gaps. There are many opportunities across various sectors of the Brazilian economy that could be primed for UK investment. For instance, as tech companies are at the heart of the British economy, the UK can help Brazil develop its top talent in this area. Many of the world's best-known companies use tech innovations from the UK, including artificial intelligence, the internet of things, data centres and advanced communication.

Considering the diverse energy matrix in Brazil, the UK presents solutions in all areas ranging from oil and gas to renewables. Sustainable and green mining methods sourced from the UK may help Brazil with the environmental issues it currently faces.

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Other sectors, ranging from financial services to the life sciences, can also be boosted by UK investment, enhancing exports through value-added chains, thus contributing to Brazil's economic growth.

## GET SUPPORT FROM UK EXPORT FINANCE

The UK government believes no trade with the UK should fail for lack of finance or insurance. That's why UKEF, the world's oldest export credit agency, with 100 years' experience in helping overseas buyers, can help bridge Brazil's financing gaps. UKEF has made up to £3 billion available to support Brazilian buyers access the finance they need to trade with the UK.

UKEF is here to ensure the quality of UK products and services is matched by agreeable payment terms and competitive finance. Its financing can help Brazilian buyers in both the public and commercial sectors make sure capital goods or services from the UK come with competitive terms. This provides overseas project sponsors with attractive long-term financing that makes sourcing from the UK more competitive.

## UKEF HAS MADE UP TO £3 BILLION AVAILABLE TO SUPPORT BRAZILIAN BUYERS ACCESS THE FINANCE THEY NEED TO TRADE WITH THE UK

Using export credit agencies to finance capex programs allows Brazilian companies to obtain international support, even in adverse market circumstances.

Today, UKEF has a footprint in Brazil. We are on the ground to support the Brazilian government, companies, entities and citizens, offering support that the country has always deserved. From now on, Brazil will be placed among the most developed countries in the world – you can count on us! 🌐



PICTURES BY RONALDO BATALINI // SMILE PHOTOGRAPHY

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**Brazilian Chamber**  
of Commerce in Great Britain

# INTERVIEW



## ROBERTO ESCOTO

HEAD OF INVESTMENT DEPARTMENT, BRAZILIAN TRADE AND INVESTMENT PROMOTION AGENCY (APEX-BRASIL)

BY IEDA GOMES  
BRAZIL BUSINESS BRIEF

**R**oberto Escoto, the head of the Investment Department of the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), is a major-general (retired) in the Brazilian army. In his 37-year military career he served in several advisory, leadership and command positions in Brazil and abroad, for example heading the Brazilian Army Commission (Comissão do Exército Brasileiro em Washington – CEBW) at the Brazilian embassy in Washington DC (2008-10).

**Could you tell us a little about Apex-Brasil and how it is organised?**

The Brazilian Trade and Investment Promotion Agency (Apex-Brasil), es-

tablished in 2003, implements export and investment promotion policies in cooperation with the government, and carries out strategic initiatives that attract investment, create jobs and promote the competitive insertion of Brazilian companies in global value chains. We also carry out economic, legal and technical studies, provide services to promote foreign trade, investments and international competitiveness, and support trade negotiations that are important for Brazil.

Apex-Brasil also supports foreign-direct-investment activities that are led by the Executive Secretariat of the Chamber of Foreign Trade (CAMEX), in particular those regarding assistance and guidance to investors,

disclosure of investment opportunities and the provision of information on investment policies, in addition to proposing measures seeking to facilitate direct investments.

The agency has two directorates: Businesses, and Corporate Management. The Businesses Directorate is focused on our mission (exports, internationalisation and attracting investment) and has eight departments: exports of services and industrial products; exports of agribusiness-related products; attraction of investment; market intelligence; competitiveness and education; special events and projects; client and product development; and regional affairs (which manages our four Brazilian and nine foreign offices).

**You recently visited the UK for a seminar aimed at attracting investment in Brazil's infrastructure. How has the programme been received by potential investors?**

Brazil has been carrying out an efficient concession and privatisation programme, converging with the government's efforts to strengthen the economy from a long-term perspective. In all our roadshows and seminars around the world we have seen potential investors responding enthusiastically to Brazil's investment opportunities and showing confidence in Brazil's economic recovery and legal certainty, and in the transparent and predictable nature of this infrastructure reform.

**How can Apex-Brasil help potential UK investors to do business in Brazil?**

Apex-Brasil is able to assist with every step in the UK investor's decision-making process. Our service portfolio includes promoting investment opportunities in priority sectors, providing tailored market and industry information, organising site visits, and supporting site location for the investment project. Using an extensive network of companies, associations and authorities, Apex-Brasil also acts as a

link between potential partners, key suppliers and government officials.

Moreover, Apex-Brasil also assists capital investors – Limited Partners (LPs), such as sovereign funds, family offices, angel investors, university endowments and others – in finding suitable investment opportunities in partnership with local investment funds – General Partners (GPs) – or through government concession programmes, companies and startups.

**In addition to oil & gas and infrastructure, what are the other sectors where you see potential for foreign investors?**

Apex-Brasil also attracts foreign direct investment (FDI) in other strategic sectors: agribusiness; renewables; automotive; defence; aerospace; health and life sciences; and private equity and venture capital.

Released on 20 January, the most recent Investment Trends Monitor report of the United Nations Conference on Trade and Development (UNCTAD) highlights that FDI into Brazil increased 26% in 2019, to \$75 billion, partly driven by the privatisation programme launched in July as part of the government's efforts to jumpstart the economy.

In 2020, divestments by subsidiar-

ies of state companies are expected to gain pace, and the privatisation of large companies like Eletrobras, Latin America's largest power utility company, and Telebras is likely to attract further FDI. Preliminary data on announced greenfield investments in the country support this outlook, with the value of projects more than doubling compared to 2018, especially in the renewable-energy and automotive industries.

**Do you have programmes for startups and technology?**

Apex-Brasil has developed programmes for both Brazilian and foreign startups, aiming, respectively, at their internationalisation and their soft landing in Brazil. The agency also develops activities to promote and support Corporate Venture Capitalists and Limited Partners looking for opportunities to expand their presence in the industries of venture capital and private equity in the country. The operational programmes for these goals are PE&VC in Brazil, Corporate Venture in Brasil, ScaleUp in Brazil and StartOut Brasil.

- **Corporate Venture in Brasil** was designed to bring international corporates to Brazil in order to share information about new



technologies and innovation in the country, the development of the local ecosystem and networking with companies and General Partners.

- **StartOut Brasil** is a non-profit programme – sponsored by Apex-Brasil, the Ministry of Foreign Affairs, the Ministry of Economy, Sebrae (Brazilian Micro and Small Business Support Service) and Anprotec (Brazilian Association of Science Parks and Business Incubators) – which supports the immersion of Brazilian startups in some of the world's most promising innovation ecosystems. The initiative offers the entrepreneur a complete experience, with training in internationalisation, market intelligence, networking with potential customers, investors and partners, and support for a soft landing.
- **ScaleUp in Brazil** was designed to soft-land international entrepreneurs to expand their businesses in Brazil. It was designed in partnership with the Brazilian Private Equity and Venture Capital Association (ABVCAP) and Israel Trade & Investment. The pilot programme has been progressing since July 2019 and will end in

May this year. It is composed of an online immersion and two sets of on-site immersion in Brazil to develop business opportunities.

- **PE&VC in Brazil** is Apex-Brasil's longest-running initiative in partnership with ABVCAP, aiming to connect foreign limited partners to local Brazilian GPs operating both Private Equity and Venture Capital assets. Its long list of activities covers locations such as New York, Washington DC, Tel Aviv, London and San Francisco.

**Do you have programmes in place to support Brazilian companies wishing to set up operations in the United Kingdom, and British companies wishing to do so in Brazil?**

Apex-Brasil has an Internationalisation Division that supports Brazilian companies in establishing themselves abroad. Its mission is to equip Brazilian enterprises for overcoming the challenges of international expansion in accordance with their objectives and strategies. This support programme offers:

- **Qualifications Initiatives** – on-site and distance courses to train companies in the most important issues for structuring the new

operation abroad;

- **Internationalisation Missions** – trips to the target market that provide companies with an overview of the value chain in priority markets, with technical visits and meetings with local service providers, and business meetings with local companies.
- **Customized Service** – supporting the structuring of the internationalisation strategy and the elaboration of the International Expansion Plan using our own internationalisation methodology.

The Internationalisation Programme is not focused on any single country, but on the strategy of the Brazilian companies. The destinations for the international missions are chosen according to the Brazilian companies' interests.

For UK companies interested in investing in Brazil, Apex-Brasil offers a portfolio of services in order to support them in finding their way to thrive in the country, through the identification of potential partners and investment opportunities. As our agency is linked to the Ministry of Foreign Affairs, we work in close cooperation with the Embassy of Brazil in London.

**Due to the large number of financial institutions in Brazil, do you see an enhanced role for private equity in acquisitions of Brazilian companies?**

The private-equity side of the industry is much more active and mature than the venture-capital side that has begun to establish a track record in recent years. Private-equity-committed capital in Brazilian industry accounts for around 95% of the capital invested or available for new investments recurrently. Since 2011, these resources have totalled more than R\$170 billion, of which about R\$39 billion is available for new investments. That said, we have identified that some private equity managers and their portfolio companies are actively looking for good deals, through acquisitions, that could support their growth in the medium term. Due to the increasing activity of Brazilian tech companies and corporations looking for innovative solutions, we are also observing a growth in acquisitions in tech areas, sometimes even led by startups.

**What are your top priorities for 2020?**

Brazil and the UK have large and diversified economies, so the potential for increasing trade and investment is enormous. Apex-Brasil has a priority

**BRAZIL AND THE UK HAVE LARGE AND DIVERSIFIED ECONOMIES, SO THE POTENTIAL FOR INCREASING TRADE AND INVESTMENT IS ENORMOUS**

focus on the sectors in which there are the greatest number of bilateral opportunities for joint initiatives: oil and gas, renewable energy, life sciences, agritech and infrastructure.

Although Brazil already ranks fourth in the world as a destination for FDI flows, we are working to consolidate Apex-Brasil's role as a 'one-stop shop' for foreign investors, providing a large portfolio of services and facilitating the investor's experience in Brazil. Moreover, we want to see Brazil become one of the top three FDI destinations and are working hard alongside different federal-government institutions to achieve that goal in the next few years.

**The United Kingdom is leaving the European Union and looking to establish bilateral trade deals with key countries, such as Brazil. What can Apex do to support future bilateral negotiations?**

Apex-Brasil has a support role in bilateral or multilateral trade deals. During negotiations, we help the Brazilian government by providing expertise, which includes, for example, studies on the current and the potential future levels of trade in specific goods and services between Brazil and different trade partners.

Regarding the Brazil-UK trading relationship, Apex-Brasil has been working in close cooperation with the Department for International Trade (DIT) and the British Embassy in Brasilia, and various joint-initiatives have been developed during the last five. Key areas for cooperation have included the exchange of information on bilateral trade and investment opportunities; joint investment-promotion missions (for example Offshore Europe 2019 in Aberdeen); the provision of support services for each other's national investors; and the identification of potential partners for British companies operating in Brazil.

Apex-Brasil is committed to strengthening the partnership with these British institutions and wants to collaborate further to intensify bilateral trade and investment flows in the post-Brexit era. ●

# INTERVIEW



## CARLOS TADEU FRAGA CEO OF PRUMO LOGÍSTICA

BY IEDA GOMES  
BRAZIL BUSINESS BRIEF

**A** civil engineer by training, Carlos Tadeu Fraga has more than 40 years' experience in the oil and gas sector. He worked at Petrobras from 1981 to 2014, and as executive manager played a leading role in pre-salt developments, from conceptual design to first oil. He has served on the boards of several technology institutions in Brazil, making key contributions to the technological development of universities and research institutes.

**Could you tell us a little about the activities of Prumo Logística, the amount invested so far, and the role of British investors in Prumo's business ventures?**

Prumo is the multi-business group responsible for the development of Porto do Açu, a major new industrial

port complex in the state of Rio de Janeiro. Operating since 2014, Açu has received R\$13 billion in infrastructure investment, employs more than 8,000 workers, and plays a central role in the export of iron ore, crude-oil handling, and support services for offshore activities in Brazil's oil and gas industry.

BP is one of Prumo's strategic partners in the development of a gas hub, thermal power complex and LNG [liquefied natural gas] regasification terminal. BP is also our partner in a joint venture that supplies marine fuel for vessels that use Açu's port infrastructure, as well as the offshore area.

**Brazil's infrastructure minister, Tarcisio Gomes, and presidential chief of staff, Onyx Lorenzoni, have recently visited the United Kingdom to promote investment in Brazil's infrastructure. Do you need infrastruc-**

**ture investment to connect Açu with other markets?**

Given its strategic location close to Brazil's main offshore oil and natural-gas fields, its top-quality port infrastructure, and its competitive advantages in terms of private investment when compared with public ports, Porto do Açu now offers unique maritime access in Brazil – with draft as deep as 25 metres – which allows us to provide efficient port services for different types of vessels and key services for commodity shipments, especially to the Asian and European markets.

In the medium to long term, a major project already addressed in the federal government's infrastructure-investment programme is that of connecting Açu with the Brazilian railway network. The expansion of the rail modal is a federal-government priority

and is in line with our industrial development plans, which also connect Açu to new markets.

In addition, new investments in specialised terminals, such as container handling, could leverage our connection to global markets.

**What are the key challenges facing the Brazilian economy in the next three years? And what are the challenges for Prumo in particular?**

The Brazilian economy has been showing signs of recovery. The federal government's economic agenda for the next few years is focusing on privatisations, the resumption of investments in the oil industry, and opening the natural-gas market, encouraging competition in these industries.

Important progress has been made following the pension reform. It is necessary to proceed with the other reforms, such as the overhaul of the taxation system, which could improve the domestic economic environment and support an effective rebound in growth.

In this context, we are in a privileged position to contribute to the country's progress towards those goals. We are the only port that operates under a 100% private model, we have partners who are leaders in their

segments of the economy, and we generate long-term sustainable businesses. Over the next three years we intend to consolidate the oil and gas hubs in Açu, connecting them to the country's pipeline network, in addition to establishing a route to distribute offshore natural gas. These goals leverage Açu's industrial development.

**2019 marked a turn-around for the oil and gas industry in Brazil, with multi-billion E&P auctions, coupled with Petrobras's asset-divestment programme and a string of renewable and gas-fired power projects. Do you see that being sustained over the next five to ten years?**

The 'new wave' of activity in the oil and gas industry started in 2016 with the new bidding-rounds calendar implemented by the ANP [Brazil's National Agency for Petroleum, Natural Gas and Biofuels], which generated more than US\$5 billion in investment in the exploratory blocks – which represented 70% of total worldwide investment in new exploratory blocks during the period 2016–18. The companies are now beginning exploration and will subsequently migrate to the production development phase, when major investments are expected.

**Brazil's investment in renew-**

**able energy has been impressive. In addition to the baseload of hydroelectric power, wind energy now accounts for nearly 15% of Brazil's generation capacity, and solar is growing fast. Do you think Açu could accommodate manufacturers of renewable-energy equipment and assembling companies?**

There's no doubt in my mind that Rio de Janeiro state, and Açu in particular, has all the necessary characteristics to receive renewable-energy equipment manufacturers and assembling companies. Rio has focused efforts on attracting the renewables production chain, establishing itself as the country's energy capital. Besides having a natural vocation for renewable energy projects, Açu has also been developed to accommodate several industries that are seeking a strategic location, as it offers excellent maritime and land logistical access and has a multi-cargo terminal with distinguished access for large equipment.

As for a skilled labour force, the city of Campos dos Goytacazes, just next to the port, has several universities and technical institutes that train the professionals who are working in the complex.

# EDITORIAL

## BRAZIL BUSINESS BRIEF, APRIL 2020

NEWS FROM THE  
BRAZILIAN CHAMBER OF COMMERCE  
IN GREAT BRITAIN

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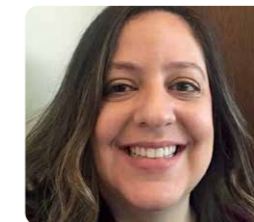
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INTERVIEW

### Due to the large number of financial institutions in Brazil, do you see a role for international private equity investment in infrastructure projects?

For sure. Our controlling shareholder, EIG Global Energy, is an interesting example of this role in infrastructure projects. Since 2013 – together with partners such as Mubadala, the UAE sovereign wealth fund – EIG has invested in the development of Prumo, a multi-business group that is helping to fill Brazil's infrastructure gaps.

### How do you attract and develop talent, taking into account the current market dynamics?

Our businesses are fertile ground for new challenges and opportunities. So it's crucial for our companies to lead by example, with ethics and integrity, and foster a healthy work environment where diversity and respect are non-negotiable values.

### You had a very successful career in Petrobras and you are now leading one of the largest private infrastructure investments in Brazil. What are the key lessons that you want to pass on to people developing their career in the sector?

The energy industry and infrastructure sector are both key for the

development of our modern society. I have had the privilege to develop my career in both. I've learned a few lessons that I believe are worth sharing with those who are now starting out in their careers: 1) it's all about teamwork; 2) it's all about passion; 3) it's all about doing the right thing; 4) hard work pays off; 5) it's all about innovation; 6) safety first; and 7), last but not least, it's all about serving society and preserving the environment.

### What are your top priorities for 2020?

To put Açu on the investment map, as outlined by the rebound in the oil industry in Brazil and the opening of the natural-gas market. To achieve this goal, we aim to establish an offshore gas route to Açu; to continue the expansion of the thermal power complex; to connect the Açu Gas Hub with onshore pipeline networks; to expand the Açu Oil Hub expansion, through oil tankage and interconnection with oil pipeline networks; and to boost the port's occupancy by oil and gas companies.

All of this being done in a context of safety, environmental preservation and long-term value for all stakeholders.

### The United Kingdom is leaving the European Union and is looking

### to establish bilateral trade deals with key countries, such as Brazil. What are the opportunities for additional British investment in Porto do Açu?

The private-port model developed in Açu is unique in Brazil but already well established in the UK. The differentials and competitive advantages of this model are well known to British companies. British companies have a successful history of investments in Brazil, particularly in Rio de Janeiro. Our partnership with BP is the greatest example of combining efforts to develop structuring projects. Investment opportunities are mainly associated with the development of the oil and gas hub, with new gas-fired thermal plants, gas pipelines, natural-gas processing units, oil pipelines and oil tanks. With the new regulatory framework for the gas industry, attracting a route to Açu to distribute pre-salt gas will be a milestone in the port's industrialisation. We are certain that Porto do Açu will play a fundamental role in reactivating the economy of Rio de Janeiro state and indeed Brazil as a whole, expanding investment and employment opportunities and encouraging technological and industrial development, in harmony with the country's social and economic goals. 🌐

EDITORIAL

THE BRAZILIAN CHAMBER OF COMMERCE IN GREAT BRITAIN  
PRESENTS THE

GALA DINNER

# PERSONALITY OF THE YEAR AWARDS 2020



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